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The role of diamonds in fuelling conflict

Letter dated 13 November 2007 from the Head of the Delegation of the European Commission to the United Nations addressed to the Secretary-General

I have the honour, on behalf of the Chair of the Kimberley Process, and pursuant to paragraph 16 of General Assembly resolution 61/28, entitled "The role of diamonds in fuelling conflict: breaking the link between the illicit transaction of rough diamonds and armed conflict as a contribution to prevention and settlement of conflicts", to hereby transmit the 2007 Kimberley Process report (see annex) and request that the present letter and its annex be circulated as a document of the Assembly, under agenda item 13.

(*Signed*) Fernando M. **Valenzuela**
Ambassador

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Annex to the letter dated 13 November 2007 from the Head of the Delegation of the European Commission to the United Nations addressed to the Secretary-General

[Original: Arabic, English, French, Russian and Spanish]

Report of the Kimberley Process Certification Scheme to the General Assembly pursuant to resolution 61/28

November 2007

Introduction

1. This report is submitted by the European Commission, on behalf of the European Community in its capacity as the 2007 Chair of the Kimberley Process Certification Scheme (KPCS), pursuant to General Assembly resolution 61/28 of 4 December 2006, which requested a report on the implementation of the Process at the sixty-second session of the General Assembly. The General Assembly also decided to include in the provisional agenda of its sixty-second session the item entitled "The role of diamonds in fuelling conflict". The present report covers developments since the report of Botswana as 2006 Chair dated 17 November 2006 (A/61/589), and includes the Final Communiqué of the Brussels Plenary, 5-8 November 2007 (appendix 1).

2. The Kimberley Process (KP) is a leading multi-stakeholder partnership bringing together governments, NGOs and the diamond industry in order to prevent conflict diamonds entering the legal international trade. By helping to break links between arms and trade in rough diamonds, the KP contributes to the prevention of conflict, the deterrence of future conflicts, and the creation of the conditions necessary for countries to benefit from their own natural resources.

3. The KP has benefited from the backing of the international community since its inception, in particular with the landmark resolution of the General Assembly 55/56 (2000) supporting efforts to establish a certification scheme for rough diamonds. Each year since then, the General Assembly has debated the role of diamonds in fuelling conflict, and reaffirmed its support for the scheme. In addition, the Security Council supported the scheme in its resolution 1459 (2003), and requested information and assistance from the KP in subsequent resolutions (referring to Côte d'Ivoire and Liberia), and made compliance with KP requirements the basis for lifting diamond sanctions in the case of Liberia. These resolutions have provided the KP with international legitimacy and credibility. In 2003, the World Trade Organisation granted a waiver for the KPCS, which it renewed in December 2006.

4. In 2003, KP participants began implementing the Kimberley Process Certification Scheme, putting in place national legislation to prohibit imports and exports of rough diamonds unless certified as conflict-free. In order to be able to certify shipments, participants must implement appropriate controls over diamond production and trade in their territories.

Contribution of the Kimberley Process to international peace and security

5. Since the initiation of the KP in 1999/2000 to improve the international response to the phenomenon of "conflict diamonds" — rough diamonds whose trade

finances rebel groups — there has been a dramatic improvement in the security situation in several diamond-producing countries, notably Angola, the Democratic Republic of Congo, Liberia and Sierra Leone. Implementation of the KPCS has both contributed to this improved security environment — and benefited from it. The only current case of conflict diamonds is in Côte d'Ivoire. Trade in Ivorian diamonds is prohibited by KP rules and by a Security Council embargo.

6. All available data suggest that more rough diamonds than ever before are being handled in accordance with the provisions of the KPCS, and only a tiny fraction of 1% of total world production can be described as conflict diamonds — those produced in Côte d'Ivoire, an estimated 100-250 thousand carats per annum out of a total worldwide annual production of 176 million carats. Virtually all diamond producing and trading centres now implement the KPCS. The KPCS has resulted in a clear separation of illegal and legal markets for rough diamonds, reducing the market price of illicit diamonds compared to that of legitimate diamonds, while increasing the risks from involvement in illicit trade. This year has seen significant seizures and prosecutions relating to conflict diamonds and smuggling. The KPCS is thus protecting the legitimate diamond industry, a significant part of many countries' economies.

Achievements during 2007

7. The KPCS has now been in operation for nearly five years, and is maturing into an established part of the international arena. During this year, reforms have been implemented to put the KP on a more solid footing, inter alia through a compilation of its rules and procedures and a new, more transparent website, and the formalisation of working groups of artisanal alluvial diamond producers, and rules and procedures, respectively. Many recommendations of the three-year review have been carried out. At the same time, the KP preserves its flexibility to respond pragmatically and appropriately to the different challenges it faces, through diplomatic messages, technical assistance, training, geological, industry or statistical expertise. The KP's innovative model of burden-sharing has fostered a sense of ownership by participants and observers, many of whom have devoted considerable resources to strengthen implementation. Contributions are both financial (technical assistance) and personal (the majority of participants belong to at least one working group (see appendix 3) and approximately half of Participants have taken part in peer review teams).

Tackling conflict diamonds in partnership

8. Following concerns raised by the UN Panel of Experts on Côte d'Ivoire suggesting that Ivorian conflict diamonds could be smuggled through Ghana, the KP agreed with Ghana a balanced package including additional monitoring, technical assistance (including from a past Chair (South Africa)) and a plan of action for Ghana to take control of its informal sector. The World Diamond Council played a leading role, making its experts available to aid in reviewing individual packages and in monitoring exports remotely afterwards. A KP review mission team, led by a past KP chair (Canada), assessed these efforts. UN experts on Côte d'Ivoire sanctions in October welcomed "the cooperation of the Kimberley Process and its efforts to encourage participating States to introduce further improvements in their internal control systems." The experts also recognized Ghana's "remarkable efforts that have enhanced the credibility of its internal control system and its diamond

import/export regime." Ghana continues to work on registering informal miners and estimating production levels, with the support of the US, EC and World Diamond Council.

9. Another good example of KP partnership in action is the case of Liberia. Kimberley Process participants and observers, including the USA, the United Arab Emirates, South Africa, Canada, Sierra Leone and the World Diamond Council, as well as the UN Mission in Liberia (UNMIL) and the UN Development Programme (UNDP), have all worked closely with the Government of Liberia to advise, train and equip the Government Diamond Office and its officials. In March, the KP sent its third expert mission to Liberia, in close cooperation with the UN sanctions panel and supported by UNMIL, which found that Liberia did meet the KP's minimum requirements. The KP reported its findings to the Security Council, which decided in April to lift its diamond sanctions. Liberia was admitted to the KP on 4 May 2007. Various 'friends of Liberia' are working with its government to support KP implementation.

Participation: a more inclusive Kimberley Process

10. The Kimberley Process Certification Scheme has remained open on a global, non-discriminatory basis to all countries and regional economic integration organizations willing and able to fulfil its requirements. The KP welcomed three Participants this year: Liberia (see above), Turkey and Republic of Congo, which satisfied the conditions for its re-admission (revised legislation, stronger internal controls and an independent production estimate). As at 8 November 2007, the KPCS had 48 members, including the EC as a single participant representing its 27 member states, thus representing 74 states (appendix 2). Burkina Faso, Cameroon, Egypt, Mali, Mexico and Tunisia attended the Brussels Plenary and affirmed their intention to join the KP, while Bahrain, Cape Verde, Gabon, Swaziland and Zambia have all expressed their interest in future participation.

Monitoring and peer review: a vital tool to improve effectiveness

11. In four years of operation, the system of peer review visits has achieved virtually universal coverage, with more than 50 different visits being carried out to KP participants and applicants, helping to spread best practices, identify and resolve issues in implementation, and strengthen a culture of compliance. A second round of review visits began with a team going to Zimbabwe in May. The Working Group on Monitoring (WGM) set up a Technical Experts Team (TET) led by India, mandated to assess KP implementation in trading and manufacturing centres. The TET surveyed 22 significant trading, cutting and polishing centres. Plenary adopted a declaration containing recommended controls in such centres. The WGM also continued to collect and analyse participants' annual reports, in 2007, placing particular emphasis on government oversight, enforcement and infringement issues.

Statistics: data for monitoring and oversight

12. At the beginning of this year, the KP publicly released its production and trade statistics for the first time, with the aim of increasing transparency and allowing others to analyse the data. Statistics form an integral part of monitoring, and statistical analyses were prepared for all peer review visits over the past year. The KP conducted its annual analysis of 2006 statistics, identifying a number of human

errors, as well as procedures to be corrected, and issues for further work. Participants are required to submit statistics on a quarterly basis and all Participants submitted statistics for 2005 and 2006, supported by continuing training opportunities made available by the Canadian government.

Technical assistance and capacity-building

13. A number of Participants and organizations have been active in providing technical assistance to enhance capacity building for implementation of the KPCS. As well as efforts in Liberia, KP Participants and Observers also funded actions to support effective regulation of the diamond sector in other diamond producing areas such as the Central African Republic, Guinea and the Democratic Republic of Congo. An EC/Belgium funded research study was launched to focus on the crucial issue of the regulation of alluvial mining. Participants also funded specific KP actions such as statistical training (Canada), satellite monitoring, the participation of representatives from LDCs and civil society in review visits (EC), and supported the Diamond Development Initiative (DDI) and other international efforts (EC/Sweden). The Kimberley Process continues to encourage donor countries and other interested stakeholders to continue to provide assistance to other KP Participants and to notify the coordinator of their needs.

Technical issues and traceability

14. The Working Group of Diamond Experts (WGDE) was mandated in 2005 to assist with technical analysis of the volume and characteristics of production likely to be exported from Côte d'Ivoire, and accordingly developed a size-frequency distribution diagram ("footprint") for this production. It has also analysed data from neighbouring countries, particularly Ghana. Footprints of Ivorian and Ghanaian diamonds are now available. The WGDE has worked on various recommendations of the three-year review, notably on conflict between definitions used by KP and those in customs/trade practice, on customs classifications, and valuation. Technical advice has been extended to Participants requesting help.

15. The EC hosted a workshop on diamond origin determination in October 2007, bringing together leading researchers in this field, to examine developments in techniques to identify diamonds. This workshop concluded that, as a scientific matter, it seemed likely that a 'fingerprint' could be developed, with a complete database of diamonds from each source and their identifying characteristics. While a long-term effort, requiring collaboration of governments, industry and academia, notably from all producer countries, this would be an extremely powerful tool to detect and deter illegal and conflict diamonds.

Artisanal/alluvial production — a crucial issue for the Kimberley Process

16. The Working Group of Artisanal Alluvial Producers (WGAAP) is mandated to ensure compliance with the recommendations of the KP's Moscow Declaration for improving internal controls of small-scale artisanal alluvial diamond mining and promoting the exchange of good practices. Artisanal alluvial diamond mining accounts for a significant proportion of worldwide diamond production, but controlling it involves particular challenges. The WGAAP has worked this year on its terms of reference, the composition of the Working Group, and on an action plan at group and sub-group level. The WGAAP analysed each country with artisanal

alluvial production, assessing their controls in the light of KP recommendations, and considering progress, obstacles encountered and remaining challenges. WGAAP members took part in training on statistics management, internal controls and diamond evaluation, co-financed by Canada and South Africa, and the WGAAP has plans to develop further efforts on capacity building, traceability and tackling illicit cross-border trade.

Civil society — bringing different voices to the table

17. Civil society has continued to play an active role in the KP through involvement in working groups, review visits and research. A civil society workshop organised by PAC/GW took place in Brussels and Antwerp 3-5 November with EC-Belgium funding and the support of the KP Secretariat, working group chairs, and representatives of the World Diamond Council and Antwerp World Diamond Centre. A record number of NGOs, mainly from producing countries, attended Plenary and called upon governments to engage civil society more actively at national level.

Cooperation with international organizations — synergies to fight conflict diamonds

18. The KP Chair has continued to work closely with the United Nations. Close collaboration with the UN Sanctions Committees on Côte d'Ivoire and Liberia were key to achieving progress; in particular a KP expert mission visited Liberia at the same time as the UN Panel of Experts, and the KP and UN experts both presented their respective findings to the Sanctions Committee at the same session. A representative of the UN Group of Experts on Côte d'Ivoire joined the KP review mission to Ghana. The KP reported to the UN Sanctions Committee on Liberia regarding its findings in Liberia, and provided trade data to the UN Group of Experts on Côte d'Ivoire in relation to possible breaches of the diamond ban.

19. The Chair also pursued dialogue and co-operation with UN agencies and a number of diamond organisations, while the technical assistance coordinator initiated discussions with World Bank, UNDP and others. Various organisations working on technical assistance and development issues presented their work to Plenary.

Future challenges

20. While the KP has proved its effectiveness, it cannot rest on its laurels. Continued efforts are needed by governments, industry and civil society to maintain and strengthen KP implementation, as the KP community expands. The second round of peer review visits will be a valuable tool to broaden and deepen compliance. The diamond sector faces a variety of challenges, including corporate social responsibility, environmental, human rights and labour standards, as it evolves with changing patterns of production and trade. Improving the developmental impact of diamonds, and tackling illicit trade will require continued international co-operation, capacity building and training going beyond the current KP mandate.

Conclusion

21. Thanks to the hard work of government, industry and civil society representatives around the world, the KP remains one of the most successful and inspirational examples of how to break the link between natural resources and conflict. Although conflict diamonds are currently much reduced, the KP is a vital tool of conflict prevention and deterrence. The European Community trusts that India as Chair in 2008, with the support of its Vice-Chair, Namibia will maintain the KP's traditions of transparent, inclusive, non-discriminatory, flexible and effective action.

Appendix 1

Brussels Plenary Meeting, 5-8 November 2007, Final Communiqué

2007 Kimberley Process Communiqué

1. The Kimberley Process met 5-8 November in Brussels, Belgium, at its fifth annual plenary and called on Participants to ensure stronger government oversight of rough diamond trading and manufacturing. The plenary also launched an initiative to address the issue of rough diamonds from Côte d'Ivoire. The Republic of Congo (Brazzaville) was re-admitted to the Kimberley Process.

2. The plenary endorsed the Brussels Declaration on internal controls of Participants with rough diamond trading and manufacturing which gives guidance on controls for record keeping, spot checks of trading companies, physical inspections of imports and exports and maintenance of verifiable records of rough diamond inventories.

3. The plenary announced the Brussels Initiative on diamonds from Côte d'Ivoire to identify steps to enhance the control and monitoring of rough diamonds from Côte d'Ivoire, including the role of neighbouring countries, building on the 2005 Moscow Resolution on Côte d'Ivoire. These efforts will be undertaken in collaboration with Côte d'Ivoire and its neighbours. The Kimberley Process will work to ensure close coordination with the United Nations in these efforts.

4. The plenary took note of the developments in the implementation of the Kimberley Process in the Bolivarian Republic of Venezuela, notably the submission of the statistical and annual reports. The plenary welcomed the progress made by the South American regional sub-group of the Working Group of Artisanal Alluvial Producers and its efforts to strengthen a regional approach to Kimberley Process implementation. Venezuela ratified its continued commitment to the Kimberley Process and extended an invitation to the Kimberley Process Chair to lead a visit during the first quarter of 2008. The terms of reference of this visit will be those in the Administrative Decision on Peer Review.

5. Participants expressed appreciation for Ghana's considerable efforts in 2007 to enhance the credibility of its internal controls by monitoring exports, licensing miners and producing accurate diamond production data, all with assistance from fellow Kimberley Process Participants and the World Diamond Council. Plenary had agreed a package of measures with Ghana in November 2006 in response to concerns about internal controls which could have allowed Ivorian diamonds to transit the country. The plenary agreed to move to a risk-based approach to monitoring future exports of rough diamonds from Ghana, with continued support of fellow Participants and the World Diamond Council.

6. The plenary expressed appreciation to the European Commission for its efforts as Chair to strengthen the international implementation of the Kimberley Process in 2007. The plenary noted with satisfaction the efforts of the Chair to bring greater transparency to the Kimberley Process through the publication of diamond production and trade statistics, the production of a compendium of Kimberley Process rules and decisions and the upgrading of the Kimberley Process website at www.kimberleyprocess.com.

7. India will take over the Chairmanship from the European Community in January 2008. Namibia was selected to serve as the Vice-Chair of the Kimberley Process in 2008 and will assume the Chairmanship in 2009.

8. The plenary welcomed Liberia's participation in the Kimberley Process in 2007 and news that the first official diamond exports from Liberia were made in September 2007. Following the positive findings of a team of KP experts which visited Liberia in March, the United Nations Security Council lifted sanctions on Liberian diamonds in April. Liberia joined the Kimberley Process in May. A Friends of Liberia group met to discuss further assistance needs of Liberian Kimberley Process authorities to implement fully the Kimberley Process. The Kimberley Process will work to support Liberia's efforts to ensure that diamonds contribute to its sustainable economic development.

9. Plenary approved the re-admission of the Republic of Congo to the Kimberley Process. In addition to Liberia and the Republic of Congo, Turkey also joined as a new Participant in 2007. This brings to 48 the total number of Participants, including the European Community representing 27 member states. Burkina Faso, Cameroon, Egypt, Mali, Mexico and Tunisia attended Plenary and affirmed their intention to join the Kimberley Process, while Bahrain, Cape Verde, Gabon, Swaziland and Zambia have all expressed their interest in future participation.

10. The Working Group on Monitoring (WGM) reported that the Kimberley Process has completed the first round of peer review visits in 2007 with more than 50 on the ground inspection visits conducted to Participants and applicants since 2003. The second round of review visits was launched in 2007, with a visit to Zimbabwe. Virtually all Participants submitted annual reports on Kimberley Process implementation, which were assessed by the WGM. The plenary welcomed the invitations of Angola, CAR, DRC, EC, Guinea, Israel, Namibia and UAE for second round review visits.

11. The Working Group on Statistics (WGS) reported that in 2006 the Kimberley Process monitored $35.7 billion in rough diamond exports representing more than 480 million carats. Participants issued 55,000 certificates to accompany those shipments. The Kimberley Process released publicly global statistics for the first time in 2007 and posted them on the Kimberley Process website. The plenary approved the release of more detailed data in 2008. Canada and South Africa hosted, led and financed a training session on statistics and diamond evaluation in South Africa, and Canada led a statistics training session in Belgium, with plans for a further session in India in 2008.

12. The Kimberley Process reviewed progress made on the recommendations endorsed at the Gaborone plenary arising from the 2006 Three-Year Review of Kimberley Process implementation. The 2006 review concluded that the organization remained a necessary conflict prevention initiative. The plenary noted that all recommendations were either completed or well under way, and agreed to continue working in the year ahead on key issues including: funding and resource requirements; statistical data and analysis; government oversight of industry; and the treatment of illegal shipments.

13. The Working Group of Diamond Experts (WGDE) reported on a technical conference on traceability sponsored by the European Commission in October 2007. The group reported on progress to develop "footprints" (size-frequency distribution

diagrams) for West African diamond production. Footprints of Côte d'Ivoire and Ghana diamond production are now available. The WGDE also reported on its ongoing work on classification issues, valuation methodologies and missing and conflicting definitions.

14. The Working Group of Artisanal Alluvial Producers (WGAAP) reported on inventories of alluvial production conducted in 2007 and on consolidated inventories for West Africa, Central and Southern Africa and South America. The WGAAP presented a matrix of challenges facing artisanal/alluvial producing countries to be used as a tool to improve their internal controls. The plenary approved terms of reference and an action plan for the WGAAP. The plenary also approved a field visit plan for artisanal/alluvial producers and civil society to share experiences to improve internal controls and enhance local community involvement, and encouraged donor countries and institutions to contribute to implementation of this plan.

15. The plenary adopted terms of reference for the Committee on Rules and Procedures to assist the smooth functioning of the Kimberley Process. The plenary approved the Committee's recommendations regarding the chairmanship and membership of Kimberley Process working groups, endorsing current appointment practices.

16. The Coordinator for Technical Assistance noted that multilateral assistance efforts of government and industry in Liberia and Ghana in 2007 may become a model for future Kimberley Process engagement. Belgian experts from the Royal Institute for International Relations presented a research agenda for a new alluvial diamond-mining project. USAID reported on a property rights pilot project underway in the Central African Republic that will be expanded to Guinea in 2008. The U.S. Geological Survey (USGS) and the French Bureau de Recherche Géologique Minière (BRGM) reported on baseline geological studies being conducted in Mali and CAR. Tanzania reported on the Mwadui Community Diamond Partnership (MCDP) on formalisation of small-scale mining undertaken in cooperation with De Beers, and the plenary heard reports on developments in the Diamond Development Initiative (DDI) and the Diamonds for Development (D4D) programme in West Africa. Plenary noted views on the importance of a development agenda to complement the work of the Kimberley Process.

17. A record number of civil society organisations were represented at the plenary. The group issued a declaration calling on participant governments to engage with civil society in the implementation of the Kimberley Process in their home countries. The Chairman expressed appreciation for civil society's increased participation. Belgium, the EC KP Secretariat, working group chairs and industry supported a two-day orientation session for civil society representatives held before Plenary.

18. The Chairman reported on continued collaboration with the United Nations Sanctions Committees on Côte d'Ivoire and on Liberia enabling progress in the respective countries. The Chairman also pursued dialogue and cooperation with U.N. Panels of Experts and various diamond organisations while the Coordinator for Technical Assistance initiated discussions with the World Bank and the United Nations Development Programme.

Appendix 2

List of Kimberley Process Participants as at 8 November 2007

States and regional economic integration organizations which have met the minimum requirements of the Kimberley Process Certification Scheme are:

1. Angola
2. Armenia
3. Australia
4. Bangladesh
5. Belarus
6. Botswana
7. Brazil
8. Canada
9. Central African Republic
10. China
11. Congo, Democratic Republic of
12. Côte d'Ivoire
13. Croatia
14. European Community
15. Ghana
16. Guinea
17. Guyana
18. India
19. Indonesia
20. Israel
21. Japan
22. Korea, Republic of
23. Lao People's Democratic Republic of
24. Lebanon
25. Lesotho
26. Liberia
27. Malaysia
28. Mauritius
29. Namibia
30. New Zealand
31. Norway
32. Russian Federation
33. Republic of the Congo
34. Sierra Leone
35. Singapore
36. South Africa
37. Sri Lanka
38. Switzerland
39. Tanzania, United Republic of
40. Thailand
41. Togo
42. Turkey
43. Ukraine
44. United Arab Emirates
45. United States of America
46. Venezuela
47. Viet Nam
48. Zimbabwe

NOTE: The rough diamond-trading entity of Chinese Taipei has also met the minimum requirements of the KPCS.

Appendix 3

Composition of the Kimberley Process Secretariat and KP Working Groups as at 8 November 2007

(a) Chair and Secretariat (European Community)

Mr Karel Kovanda (Chairman 2007)

Mr Christian Berger

Ms Alyson King

Mr Stéphane Chardon

Mr Jean-Cedric Janssens de Bisthoven

Mr Willem Jaspers

(b) Subsidiary bodies

I. Working Group on Monitoring

Chairman: Mr Stéphane Chardon (European Community)

Assistant: Israel *Members*: Canada, CAR, EC, India, Israel, PRC, Russian Federation, South Africa, UAE, USA, WDC, GW/PAC

II. Working Group on Statistics

Chairman: Mr Rob Dunn (Canada)

Assistant: Botswana *Members*: Angola, Botswana, Canada, PRC, DRC, EC, India, Israel, Russian Federation, South Africa, Switzerland, UAE, US, WDC, PAC/GW

III. Working Group of Diamond Experts and Technical Issues

Chairman: Mr Mark Van Bockstael (World Diamond Council)

Assistant: South Africa *Members*: Australia, Botswana, Canada, PRC, EC, India, Israel, Russian Federation, South Africa, USA, UAE, WDC

IV. Participation Committee

Chairman: Mr Kago Moshashane (Botswana)

Members: Angola, Botswana, Canada, PRC, EC, India, Israel, Russian Federation, South Africa, USA, WDC, GW/PAC

V. Committee on Rules and Procedures

Chairman: Mr Andrey Kutepov (Russian Federation)

Members: Angola, Botswana, Canada, EC, Israel, Russian Federation, South Africa, Switzerland, USA, PAC/GW, WDC

VI. Working Group of Artisanal Alluvial Producers

Chairman: Mr Paulo Mvika (Angola)

Regional co-ordinators: Sierra Leone (West Africa), DRC (Central and Southern Africa), Brazil (Latin America) *Members*: Angola, Brazil, Côte d'Ivoire (after sanctions lift), CAR, DRC, Ghana, Guinea, Guyana, Liberia, Namibia, Republic of Congo, Sierra Leone, South Africa, Tanzania, Togo, Venezuela, Zimbabwe